

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**SB 2429 - HB 2342**

February 12, 2014

**SUMMARY OF BILL:** Authorizes an existing licensed nursing home that meets certain criteria to divide and relocate up to 260 of its licensed beds to two locations.

**ESTIMATED FISCAL IMPACT:**

**Other Fiscal Impact –** The proposed legislation could result in a nursing home reaching full occupancy of current licensed beds. If the legislation directly results in the facility reaching full capacity, the Bureau of TennCare could incur additional expenditures that, while currently responsible for such costs, the Bureau is not currently experiencing. It is difficult to determine the exact fiscal impact directly related to the passage of the legislation and the fiscal year in which the full impact will be realized. If the facility reaches full occupancy for its currently licensed beds, the TennCare program will expend approximately \$3,621,900 in state funds and \$6,745,700 in federal funds for costs of approximately 181 filled beds.

Assumptions:

- According to the Health Services and Development Agency (HSDA), there is one nursing home that will meet the criteria of the bill to relocate beds.
- A certificate of need would have to be obtained prior to the relocation of any licensed beds. Application fees from the certificate of need process will be collected to cover the cost of the review; therefore, the net impact to HSDA is not significant.
- According to the Bureau of TennCare, the facility is currently licensed for 419 beds. As of February 7, 2014, 229 beds are filled and 190 are unfilled.
- According to the Bureau of TennCare, the facility has had difficulty reaching full capacity and the occupancy has been declining over the past few years.
- It is unclear as to what has been the cause of the decline in recent years. Based on information provided by the Bureau of TennCare, the facility's occupancy averaged 289 filled beds during calendar year 2012. In December 2013, the occupancy was 217 filled beds. As of February 2014, the occupancy was 229 filled beds. Currently there are 190 unfilled licensed beds.
- The bill prohibits the facility from increasing its total number of licensed beds.
- In the event that the relocation of the 260 beds directly results in the facility reaching full capacity and the additional 190 beds are filled, the TennCare program could incur

costs that the program is responsible for under current law but is not currently incurring due to the facility's inability to reach full capacity.

- Based on 2012 occupancy information, approximately 95 percent of the residents are Medicaid residents. It is assumed that this percentage remains constant.
- The annual average cost of a Level 1 Nursing Facility reimbursement is \$57,279.60. The increase in expenditures for 181 beds (190 currently unfilled beds x 95.0%) is \$10,367,608 ( $\$57,279.60 \times 181$ ).
- Of this amount, \$3,621,924 would be state dollars ( $\$10,367,608 \times 34.935\%$ ) and \$6,745,684 would be federal dollars ( $\$10,367,608 \times 65.065\%$ ).
- There are several unknown factors that contribute to the fiscal implications of the proposed legislation. These include, but are not limited to: all factors that are currently contributing to the facility not reaching full occupancy, the amount of time it will take for the beds to be relocated; the number of filled beds that will be relocated; the number of unfilled beds that will be relocated and filled as a direct result of the relocation; the number of unfilled beds that may remain at the current location and become filled; if the facility will reach full occupancy and when, if at all, full occupancy occurs; if the residents filling the beds will be Medicaid residents; and if residents filling the unfilled beds are currently receiving TennCare services. Due to these unknown factors, it is difficult to determine the exact fiscal impact and the fiscal year in which the full impact would occur.

## **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

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